

Snapshot U.S. Market Trends
Private Label Food & Beverage Products
February 2005

This brief aims to provide overseas FAS personnel, USDA cooperators and private companies with a “snapshot” of dynamic U.S. market trends for private label food and beverage products worth \$38 billion in 2004 (#1 – 7), pointers for them to relay to foreign buyers interested in connecting with U.S. suppliers (#8-10) and practical tips to relay to U.S. suppliers thinking about exporting (#11-12).

1. What are private label food and beverage products (dry grocery products, beverages, frozen foods, dairy, packaged meat, bakery and deli categories)?

Typically referred to as store brands, house brands, no-name generics, signature brands or exclusive brands, private label products are sold by non-manufacturers that own the name of the product or private label (PL). The brand owners are mostly retailers but include wholesalers, distributors, importers/exporters, restaurants, hotels and airlines. Compared to widely available national brands, PLs are usually less expensive and limited to a company’s distribution or licensed marketing area. Private label brands range from entry-level value brands to national brand equivalents (most common) to premium or signature products. Alternatively, they can be targeted at special consumers, such as children, or at lifestyles, such as vegetarian. Manufacturers of PL products may include: large branded producers that utilize excess plant capacity to supply private label; small and medium-size manufacturers that specialize in particular product lines and concentrate on producing private label items almost exclusively; or major retailers and wholesalers that own their manufacturing facilities and provide private label products for themselves and others. Stores that don’t command enough volume to introduce their own private label products can buy wholesaler brands such as *Western Family* or *Topco* lines of PL products such as *Food Club*. No longer are PL products viewed as copycats of national brands but may excel in packaging and product innovation -- even offering new products with unique qualities. (Refer to Appendix - Sampling of Private Label Food and Beverage Products.)

2. Why are PL food and beverage products so important?

They are important because they can be vital to a retailer’s survival. When deciding where to purchase groceries, consumers think of a retailer’s reputation first, and since consolidation of retailers is a trend, store identity is increasingly critical. Private label food and beverage products give retailers an advantage by reinforcing the store banner name and brand image; earn them healthier margins since middlemen, slotting fees or major advertising expenses are not normally factors (as they are for national brands); provide control and flexibility in pricing; and attract repeat customers which fosters store loyalty. As PL brands gain importance, they progress to improved shelf locations. Popularity of national brand products prompts stores to carry PL products when sales volume is sufficient to carry another brand. According to ACNielsen Scantrack data for 2004, in the United States, PL food and beverage captured \$38.0 billion in sales or 16.8 percent of the total \$225.4 billion retail U.S. food and beverage category (including national brands). This translates to 24.3 billion units or 20.6 percent out of 117.7 billion units for the same category. (Note: excludes Wal-Mart.)

3. What are the distribution channels?

Distribution channels are grocery stores, mass merchandisers, supercenters, drug stores, limited assortment retailer (e.g., *Aldi*) warehouse clubs, dollar stores and convenience stores. PL items sell

best through the grocery chain channel. PL products are said to be most popular at businesses where there is greater customer loyalty.

4. What strategy do supermarkets consider in marketing PL products?

Innovative packaging and prime shelf location is key to marketing PL products. Signage, mail-in offers, display posters, floor adhesive signage, tie-ins with spokespersons or events are also important. In addition to positioning store brands next to or near national brands, retailers may leverage the strength of both packaging and shelf location by promoting a store brand of one item, such as crackers, driven by a related national brand item, such as *Campbell's* soup.

5. What are the top selling PL food products in the United States?

According to ACNielsen, in 2003 sales of PL food and beverage exceeding \$1 billion (including Wal-Mart) were milk, bread/baked goods, cheese, fresh eggs, carbonated beverages and unprepared frozen meat/seafood. The most popular PL food products by volume were fresh eggs, milk, sugar/sugar substitutes, vegetables and dry grains, frozen and canned vegetables, bottled water, frozen dessert/fruit/tops, cottage cheese and frozen juices/drinks. The rising stars in unit sales were: chewing gum, unprepared frozen meat/seafood, desserts, nuts, fresh meat, frozen pizza/snacks and salad dressing/mayo. An important area of PL opportunity for U.S. supermarkets lies with organic foods where no national brands dominated. For example, *Ahold USA Inc.* offers a new line of PL natural and organic foods sold by wholly owned *Stop and Shop Cos.* and *Giant Food Inc.* called *Nature's Promise*. *Kroger Co.* has a line of natural and organic brands (*Naturally Preferred* and *Nature's Song*), and *Safeway* carries store brand organics. PL products have raised quality standards for natural and organic foods, fresh meat and produce, beer and wine, imported and ethnic specialties, take-out fare and children's products.

6. What stores are major PL players?

According to the publication *Private Label*, Wal-Mart's *Great Value* brand is the best selling store brand in the U.S. grocery market. It has also become the first true global store brand, available in Argentina, Brazil, Canada, China, Germany, Mexico and South Korea. *Trader Joe's*, a natural and specialty food retailer, is a standard bearer in the grocery store business for relying almost exclusively on its *Trader Joe's* store brands or spin-offs. The top three U.S. supermarket chains with PL brands are *Kroger*, *Albertson's*, and *Safeway*. *Walgreens*, *CVS* and *RiteAid* are the top U.S. drugstore chains with such brands. *Costco* is a trendsetter for PL brands for its "co-branding" strategy, i.e., the marriage of a private label brand (*Kirkland Signature*) and a national manufacturer's brand such as *Starbucks* on a line of House Blend whole bean coffee or *Newman's Own* grape juice on a line of grape juice.

7. Who buys PL products?

According to ACNielsen, PL customers that spend the most on PL products tend to come from households with three or more, children of all ages, blue collar, less well-off, female head and located in rural areas. However, now that PL brands offer improved quality and uniqueness, more affluent customers from smaller households have become converts. PL consumers spend the most in the dry grocery, dairy and frozen food departments.

8. How can foreign buyers connect with U.S. manufacturers?

Foreign buyers should contact Wendy Wagner, Private Label Manufacturers Association (PLMA) Director, Retail Trade Relations (wagner@plma.com) to obtain a listing of manufacturers.

Foreign buyers may sign up for PLMA's trade shows, held every November in Chicago or every May in Amsterdam. A password is provided a few weeks before the opening so registered attendees

may preview the list of buyers known as “Preview for Buyers.” Foreign buyers may also wish to contact FAS offices in their country for help with referrals.

9. What kind of information would foreign retailers interested in purchasing PL products need to supply U.S. manufacturers?

Foreign buyers will need to provide information on packing, labeling, size, special formula, volume (has to be enough to justify production time), delivery point (so delivery price can be quoted) shelf life and, most importantly, financing capability.

10. What kind of questions should foreign buyers ask American suppliers or, looked at it another way, what kind of questions could U.S. suppliers expect from foreign buyers?

Foreign buyers should ask American manufacturers for current PL customer references. U.S. manufacturers may need to provide any necessary certification such as proper food preparation (Hazard Analysis Critical Control Points- HACCP), kosher authenticity or quality management system standards (ISO 2000). They might also need to provide an ingredients statement to cover product manufacturing, processing, coloring and preservatives. Potential buyers will likely ask for samples. *Note:* Every year *PLBuyer's* publishes a list of “Category Colonels” in its July issue that lists PL manufacturers that retailers have voted as best trading partners. Manufacturers were rated on commitment to PL product quality, knowledge of the industry and superior skills in helping retailers drive store brand volume, profits and competitive differentiation.

11. Where are the new PL markets overseas?

Europeans are even more enthusiastic and established consumers of PL food and beverage products, especially the UK, Belgium, Germany, Spain, France and the Netherlands. South America, Asia and Eastern Europe are promising emerging markets. There are opportunities for U.S. suppliers if: (1) they are willing to negotiate logistics and cultural differences in countries with retail chain infrastructure; (2) they can compete in price (given freight and tariffs) against local or European manufacturers; or (3) they can offer a U.S. specialty product unavailable in the foreign market such as American style ketchup, candies or preserves, provided that foreign buyers command enough volume.

12. What can exporters do to promote his or her product?

First of all, exporters need to be sure about being ready to export. Refer to <http://www.fas.usda.gov/agexport/exporter.html> for available tutorials. Exporters should keep up on PL trends. Refer to *PL Buyer*, *Private Label & PL International*, *PLMA International Private Label Yearbooks*, *A Statistical Guide to Market Share Trends*. Exporters may wish to participate in overseas trade shows or trade missions sponsored by State Regional Trading Groups (SRTGs). Check out the following websites: Food Export USA www.foodexportusa.org ; Mid-America International Agri-Trade Council (MIATCO) – www.miatco.org ; Southern United States Trade Association (SUSTA) – www.susta.org or Western United States Agricultural Trade Association (WUSATA) – www.wusata.org . Exporters may wish to utilize USDA's Supplier Credit Guarantee Program (SCGP), which helps exporters offer direct short-term credit to foreign buyers of U.S. food and agricultural products (<http://www.fas.usda.gov/info/factsheets/scgp.html>).

For questions or comments, contact: Joani Dong, Senior Market Analyst, USDA, Foreign Agricultural Service, Processed Products Division. (Phone: 202-720-9833 or email: Joani.Dong@usda.gov)

Appendix
PLMA's Supermarket of Tomorrow
Sampling of Private Label Food and Beverage Products
Chicago – November 15-16, 2004

Grocery Store	Private Labels	Items
Trader Joe's	Trader Joe's	Cereal, coffee, organic rice, soup, blintzes, eggplant cutlets
Wegman's	Wegman's Food You Feel good About Discover the Orient Italian Classics	Host of products Healthy and Natural Products Oriental entrees Pasta dishes
Harris Teeter	Harris Teeter Naturals (Organic products) Premier Selection H.T. Traders (premium gourmet)	Host of products Microwave popcorn, cereal, soymilk, couscous, split peas Grapefruit juice, cookies, cereal bars, muesli Artichokes, hot & sour rice noodles, wild rice blend, green tea
Whole Foods	365 Organic 365 (everyday value)	Veggie burger, organic lasagna, chicken chipotle Pizza, crackers, soy protein powder
Kroger	Kroger Private Selection Naturally Preferred (organic) Regular private label	Host of products Waffle and pancake mix, gourmet coffee, maple syrup, olive oil, wheat crackers, chocolate squares, honey, potato chips Cereal, spaghetti, baby food Stuffing mix, crackers, peanut butter
Albertson	Essensia (premium)	Tomato pasta sauce, pasta, balsamic vinegar dressing, olive oil, cheesecake, chicken wings, lasagna, vegetable spring rolls
Western Family	Western Family Western Family Natural Directions (organic)	Cereal, instant cereal, soymilk, non-dairy creamer, orange juice, portable yoghurt Orange juice
Topco	Organic Food Club Valu Time World Classics	Cereal, apple rings, supernatural mix, cranberries, soynuts Fruit snacks, fruit in light syrup Meatloaf meal, chicken nuggets meal, boneless pork rib Wheat crackers

Wal Mart	Great Value Sam's Choice	Pizza, chicken breast tenders, chicken breast patties, stuffed sandwiches, nuggets, instant oatmeal, crackers, granola bars Dijon chicken breast, lean entrée, terriaki salmon, chicken caprese, sweet chipotle, chicken breast, Swedish meatballs, stuffed pasta shells, pepper jack chicken and pasta, Thai-style peanut chicken, breaded stuffed chicken breast, pesto penne pasta, chocolate sandwich cookies, chocolate chips, snickerdoodle cookies
Save-A-Lot	J. Higgs Harrison Select Ginger Evans Diane's Garden Shelby's Grove Gold Leaf Kurtz Nature's Crunch Hickory Springs Morning delight Bay Mist Tipton Grove McDaniels Bend N's	Crackers Nuts Cake mix, fudge brownie mix, frosting, cookie mix Diced tomatoes Canned Fruit cocktail Cherry fruit pie Mustard, ketchup Cereal Pancakes and sausage Toaster tarts Cranberry juice Fruit juice Coffee Cobbler
Aldi	Valley View Beamont presents Mama Cozz Choceur Millville Chazeo Reggao Fit & Active Grandessa Friendly Farms Belmont	Mashed potatoes, scalloped potatoes Gourmet coffee Cheese pizza kit Fine chocolate sticks Granola bars Fruit snacks Skillet dinners Corn tortillas chips, dried fruits Cheese cake, truffle, vinaigrette, pancake syrup Moo Tubes, portable yoghurt Home Style
Safeway	Safeway Safeway Select Gourmet Club Safeway Select Premium Quality	Cereal, cookies Meat lasagna Brownie mix, Belgium Gingerbread cake & cookie mix, Danish cranberry orange bread and muffin mix, American pumpkin spice bread mix,

	Eating Right Safeway Select	Caribbean Jerk Marinade, buffalo wing marinade, taqueria style sauces, chai tea, flavored olive oil, flavored syrup, orange chicken, Thai style peanut chicken Shrimp lo mein, cashew chicken Milk-based infant formula, soy-infant formula, trail mix
Target	Market Pantry Archer Farms	Pasta, yoghurt-coated chewy granola bars, cereal bars, cookie mix Toaster pastries, gourmet cakes, teas, crackers, fruit mix, dried fruit
Albertsons, Kroger, Topco	Q (California) Flourish (Italy, France, Spain) Arrow Creek (California) Dellatorri (Italy) Kalbarri (Australia) Quill Creek (California) Cellars Cresth (California)	Wines
Shop Rite	Shop Rite Shop Rite Premium	Cereal, instant cereal, egg pastries, orzo, acini di Pepe, alphabets, sunflower seeds, cashews, drink mixes, coffees, microwave popcorn, ice cream sandwich, ice cream bars, sundae cones Cookies
Stop & Shop (Pet Foods)	Companion Essentials Stop & Shop Companion	Rawhide chews, snacks, treats Cat food, biscuits
Super Store Industries	Sunny Select Sunnyside Farms Premium Classic Cuisine Sunnyside Cowabunga	Cereal, crackers, granola bars, trail mix bars, eggnog, ice cream cones Microwave rice bowl, meat lasagna Toaster tarts, cookies, chocolate syrup
Sainsbury (UK)	Be good to yourself Blue Parrot Café Sainsbury's Taste the Difference	Pudding entrees Footballs & juices, tuna & tomato pasta bake, macaroni cheese, spaghetti Bolognese, bangers (sausage), beans and mash (potato) Lebanese style fine spice lamb w/bukhani rice, Sri Lankan prawn biriyani, Moroccan chicken w/apricots and pine nuts
Tesco (UK)	Tesco free from (wheat, gluten &/or dairy) Tesco Finest	Chocolate chip cookies, short bread, apple pies, tarts, cake bars Thai Meal for 2, Mediterranean

	Tesco Chinese	lamb shanks w/vegetable confit, Thai breaded scallops w/plum and chili dipping sauce Crispy aromatic whole duck, battered sweet & sour chicken, Chinese Menu A meal for 2
Marks & Spencer (UK)	Marks & Spencer Gastropub Marks & Spencer count on us. . . Marks & Spencer Chinese takeaway Marks & Spencer Cantonese Takeaway Marks & Spencer Tex-Mex Platter Marks & Spencer Steam Cuisine Marks & Spencer Chef Selection	Entrees (rump steak stroganoff & porcini oil roasted potatoes), slow roasted lamb shank Single size entrees – potato mash, lasagna, braised steak Entrees for all of the following
ASDA (UK)	ASDA Extra Special ASDA Indian ASDA Oriental ASDA Italian ASDA Good for you	Entrees Lamb & Spinach Biryani Crispy Chilli prawns Lasagna Entrees
Carrefour (France)	Destination Saveurs Escapules Gourmandes Reflets de France J'aime Carrefour bio	Muffin mix Cookies Lentils Biscuits Dried milk, baby food, vegetable entrees, muesli
Albert Heijn (Canada)	ON ON biologish Euro Shoppe ON Excellent	Muesli, cake mix, pancake mix, soup, muesli bars Tofu meatballs, tofu etc. Salads (celery, chicken, curry) Rices
Monoprix (France)	Monoprix BIO Monoprix Gourmet Gavit Millan Monoprix bienvivre Monoprix	Cookies, eggs Candy bars, escargots, pâte Tea, sardines, crepes Soy, fruit, galettes, potatoes Pommes rissoles, taboule
E. Leclerc (France)	Nos Regions out du Talent Bio Village Côte Tabé Tables Du Monde	Torte aux mirabelles de Lorraine sur gelee cheese Crackers, yoghurt Entrees for one person Recette Asiatique
Loblaws (Canada)	President's Choice President's Choice Organics	Pizza, lasagna, entrees, canola oil, crackers, spaghetti Crackers, cookies, soups, pasta

